



MEMORANDUM

TO: City Council

FROM: Margaret Schmitt *ms*
Karen Loughney *kl*

DATE: April 16, 2003

RE: FY04 Medical and Dental Rates

FILE:

The City of Lynchburg, as well as the rest of the nation, is facing ever-increasing costs for medical and prescription drug services. While our plan members do a good job of containing overall expenses and our rate of increase is lower than many of the municipalities in the region, increasing costs continue to be a reality. As you know, the Manager's proposed budget included an increase in City contributions for both medical and dental coverage that maintains your commitment to fully fund employee medical and dental coverage. In addition, the proposed budget includes resources that will continue to fund retiree coverage with only a small supplemental contribution from the retiree.

As we prepare for open enrollment, May 9-23, 2003, we've established the FY04 medical and dental contribution rates for employees choosing dependent coverage and retirees. While we may have some opportunities as a part of the regional medical consortium, the full picture is not yet available. We'll continue our relationship with Piedmont Community Health Plan (PCHP) for now and the features of the medical and dental plan will not change. As an added convenience, PCHP is now providing our members the choice of having their maintenance medications filled at a few local, independent pharmacies under the exact same conditions and cost as mail order.

While plan changes allowed us to avoid increases last year, dependent rates and the retiree supplemental contribution will increase this year an average of 12%. Dental rates have not increased for several years, but will increase an average of 6% for FY04. For July 1, 2003 coverage the new monthly rates are as follows:

Employee Medical Rates

Coverage Option	FY04 Monthly Cost	Employee Monthly Contribution	Monthly Increase
Employee Only	\$202	\$0	
Employee + Child	\$325	\$123	\$13
Employee + Spouse	\$345	\$143	\$15
Employee + Family	\$460	\$258	\$28
2 City Employees + Family	\$460	\$56	\$6

Retiree Medical Rates

Coverage Option	FY04 Monthly Cost	Retiree Monthly Contribution	Monthly Increase
Retiree 65 and over	\$219	\$17	\$2.20
Retiree under 65	\$219	\$17	\$2.20
Retiree + Spouse 65 and over	\$338	\$136	\$15
Retiree + Spouse under 65	\$362	\$160	\$17
Retiree + Child	\$342	\$140	\$15
Retiree + Family	\$477	\$275	\$30

(Note: Total cost includes supplemental contribution)

Employee and Retiree Dental Rates

Coverage Option	FY04 Monthly Cost	Monthly Contribution	Monthly Increase
Employee Only	\$16	\$0	
Employee + Dependent (Either Child or Spouse)	\$27.50	\$11.50	\$.66
Employee + Family	\$37	\$21	\$1.16

Please do not hesitate to call either of us at 847-1315 if you have questions.

c: L. Kimball Payne, III, City Manager
Patricia Kost, Clerk of Council